Province of British Columbia
Ministry of Finance and Corporate Relations

BACKGROUNDER

INTERNATIONAL FINANCIAL BUSINESS IN VANCOUVER

July 13, 1987

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PREFACE

This backgrounder provides information on the Government of British Columbia's initiative to develop Vancouver as an International Financial Centre (IFC), the International Financial Business (Tax Refund) Act (Tax Refund Act) and the International Financial Business Act (IFB Act).

The two pieces of legislation (Bills 49 and 50) have been introduced in the British Columbia Legislature for first reading only.

The philosophy behind the government's policy, general conditions which are required for the policy to be successful and the benefits which can be expected as a result of establishing an IFC in Vancouver are discussed in the backgrounder. Objectives in releasing the Tax Refund Act and IFB Act and the major policies inherent in the legislation are also discussed. For convenience, copies of both bills are included in the document.

UNDERLYING PHILOSOPHY

The Government of British Columbia's role is to provide a consistent and balanced tax and regulatory framework to support the IFC initiative. It also will remove impediments and obstacles which may inhibit growth.

The proposed Tax Refund Act and IFB Act demonstrate how this can be accomplished. These bills meet the following objectives:

- to demonstrate to Canadian and international business communities and to other governments the steps British Columbia will take in the Canadian interest if it becomes clear that the initiative will succeed; and

- to provide an opportunity for interested parties to comment on the approach and details of the proposed legislation.

The Government of British Columbia further challenges the private sector to carry the initiative forward.

BENEFITS

An IFC in Vancouver will allow British Columbia and Canada to keep up with and perhaps become a world leader in some segments of the fast-changing and emerging field of international finance.

Spin-off benefits will include increased business for professionals, the hospitality industry and ancillary financial services. It will also attract and encourage development of

expertise which will also be applied to domestic business. Inevitably much spin-off activity will occur in Toronto and other Canadian centres - all of Canada will benefit.

It is impossible to estimate expected benefits in terms of jobs, income, investment or economic growth. However, the observations outlined below appear to be valid.

1. The provincial government does not, on its own, control all the forces necessary for success of an IFC in Vancouver. Full cooperation and support from the business community and the federal government is required.

2. As pointed out by the House of Commons Standing Committee on Finance (the Blenkarn Committee), legislation tabled by the federal government is not sufficient.

3. A comprehensive measure such as that proposed by British Columbia, if designed to protect the domestic economy and tax base, would have no substantial cost. Thus, even if the resulting activity was modest, there would be real, positive net economic benefits.

It would be unreasonable to expect a broadly-based financial centre to emerge in Vancouver overnight. Nevertheless, a comprehensive initiative is advocated. The government does not wish to provide incentives to develop particular niches, but rather it seeks to provide the private sector with the tools necessary to develop any international financial business niche in Vancouver which they identify.

Some examples of industries or market niches which might be established or enhanced by the proposed tax and regulatory measures are as follows:

- investment banking;
- merchant banking;
- trade financing;
- private banking (high quality, comprehensive service to wealthy individuals);
- insurance and reinsurance, including international captive insurance companies; and,
- investment management.

REQUIREMENTS

An IFC can be defined as a place where a substantial amount of international financial business activity takes place. International financial activity is a broad concept which includes the standard activities of Canadian banking, such as loans, deposits, foreign exchange business and trade financing,

as well as securities dealing, investment management, insurance and all other services which international financial institutions provide.

Four essential requirements for a city to become an IFC are outlined below:

1. The location must be "attractive" in terms of climate, amenities, stability and time-zone.

2. There must be established business and professional expertise, world-class communications and a convenient travel infrastructure.

3. The cost of carrying on international financial activity must be no greater than in existing international financial centres.

4. There must be a "critical mass" of financial institutions carrying on international financial activities and an established inter-institution market.

The first and second elements are already in place in Vancouver. The government's efforts are focused on the last two -- cost competitiveness and critical mass.

Cost Competitiveness

To satisfy the first requirement, both the costs imposed by complying with the regulatory framework and imposed by taxation must be no greater than those imposed in other competing jurisdictions. The Tax Refund Act and IFB Act go as far as a provincial government can towards this objective.

An accommodating tax regime is one in which all financial institutions (including Canadian and foreign banks, trust companies, insurance companies and investment dealers) would be eligible for a complete tax exemption for transactions listed in Table 1. Complete tax exemption means exemption from federal and provincial income tax, withholding tax, branch tax and capital tax. While a provincial government can only provide exemption from its own taxes, the Tax Refund Act provides a model for developing more comprehensive federal/provincial exemptions.

The regulatory regime modelled in the IFB Act must have the characteristics listed below:

1. International financial businesses must be permitted to operate as either branches or subsidiaries. The Tax Refund Act provides tax advantages to either while the IFB Act specifically allows subsidiaries to be established.

2. Non-resident financial institution participation should be unrestricted.

3. No reserve requirements should be specified.

4. No deposit insurance should be required.

5. Low capital requirements should be included.

6. Minimal reporting requirements should be in place.

7. Few or no investment and loan restrictions should be specified, except for a prohibition from dealing with residents.

The regulatory regime should rely on sophisticated clients and customers enforcing market discipline. Government intervention is primarily warranted to protect the Canadian domestic market. In all other cases, the free market should prevail.

Critical Mass

To establish a "critical mass" of financial institutions, Vancouver must provide more than the competition. One example could involve personal income tax breaks to make it easier to establish in Vancouver, as proposed in the Tax Refund Act. Extensive promotion and marketing of Vancouver's attractiveness would also be required. This should, at least in part, be done by the business community. A long term commitment to developing the initiative is also essential.

POLICY DETAILS

Tax Refund Act - Bill 49

Bill 49 provides a provincial income tax exemption in respect of international financial activities in the form of a refund of tax paid. This mechanism was chosen to maintain provincial flexibility given constraints imposed by the Tax Collection Agreement with the federal government.

Some important policies implicit in the bill are explained below.

- Application - the bill will apply to any financial institution able to conduct any of the international financial activities described in the legislation and to employees who work full-time on those activities. The institutions include international financial business subsidiaries of financial institutions which will be incorporated under the IFB Act.

- Financial Institution - is defined to include banks, trust companies, insurance companies, subsidiaries created under the IFB Act and captive insurance companies.

- International Financial Activities - the activities for which tax refunds are granted include all of the activities listed in Table 1.

- Calculation of Tax Refund - refunds will be based on the institution's tax liability calculated as if the international financial activity were undertaken in a tax exempt subsidiary. Separate accounts and books will be required. The refund will be calculated as the difference between liability under the Income Tax Act (British Columbia) and the revised calculation under the Tax Refund Act.

- Individual Tax Preferences - although details will be established in regulations, the intent is to provide a two year, 100 percent provincial income tax refund to "specialists" who are brought to Canada to handle international financial activities. In addition, all full time employees engaged exclusively in international financial activities will be given a 30 percent refund of provincial income tax paid on income earned from that employment. Eligible employees will include "specialists" after the two year exemption expires.

- Delegation of Authority - some or all of the powers of the Superintendent of Financial Institutions to register financial institutions may be delegated to an authority established by the government.

IFB Act - Bill 50

Bill 50 provides a regulatory framework within which subsidiaries of regulated financial institutions can carry on activities with non-residents free of most regulatory controls. The bill relies on the strict requirements that the IFB be totally owned and financially supported by a regulated financial institution and prohibited from dealing with Canadian residents.

Some important policy considerations are explained below.

- International Financial Activities - the list of permitted activities is the same as the list presented in Table 1 - except that securities dealings, (and all other activity) are restricted strictly to transactions with or on behalf of non-residents. An international financial business is limited to carrying on only permitted activities.

- Financial Institutions - institutions which will be able to establish an international financial business subsidiary include banks, trust companies and insurance companies.

- Incorporation Procedure - incorporation must be under the British Columbia Company Act. A company must then apply for an international financial business licence before operations commence.

- Undertaking by Parent Corporation - the parent corporation will be required to undertake, in writing, to provide financial support to the international financial business.

- Regulatory Provisions - annual reports must be provided to the Superintendent of Financial Institutions. The Minister has the power to limit, suspend or revoke a licence if the act is contravened or the public interest is endangered. Inspection powers can be invoked to determine if action is necessary. Otherwise, government intervention will be minimal.

- Delegation of Authority - there is a provision which permits delegation of some or all licencing and regulating powers to an authority established by the government.

CONCLUSION

With the release of Bills 49 and 50 for public discussion, the Government of British Columbia is demonstrating its commitment to the development of Vancouver as an International Financial Centre. These bills provide a consistent and comprehensive taxation and regulatory framework which, if validated by complementary federal measures and by a similar private sector commitment, could generate significant benefits for British Columbia and Canada.

Inquiries and comments about the legislation are invited and should be directed to:

Gerry Armstrong
Assistant Deputy Minister
Corporate Relations
Ministry of Finance and
Corporate Relations
Room 109, 617 Government Street
Victoria, British Columbia
V8V 1X4

(604) 387-3942

TABLE 1

PROPOSED ELIGIBLE INTERNATIONAL FINANCIAL ACTIVITIES

- Negotiation and booking of loans to non-residents.
- Acceptance of deposits in any currency from non-residents.
- Canadian dollar loans and deposits, as long as only non-residents are dealt with and as long as a balanced book of Canadian dollar assets and liabilities is maintained.
- Issuance and acceptance of international letters of credit on behalf of non-residents.
- Financing or refinancing of letters of credit through letters of exchange between foreign banks or other international banking facilities.
- The issuance, sale and underwriting of securities, options contracts and futures contracts involving non-residents on one "leg" of the transaction.
- Fee-for-service activities such as financial and investment advice, guarantees, swaps and stand-by fees involving only non-residents.
- Insuring and reinsuring of off-shore risks.
- Loans, deposits and other transactions between international financial businesses.
- Fiduciary services for non-residents.
- Managing investments for non-residents.
- Foreign exchange transactions.

Government Bill

First Session, Thirty-fourth Parliament
36 Elizabeth II, 1987
Legislative Assembly of British Columbia

BILL 49

INTERNATIONAL FINANCIAL BUSINESS (TAX REFUND) ACT

Honourable Mel Couvelier
Minister of Finance and Corporate Relations

Explanatory Note

This Bill entitles certain registered financial institutions that carry on international financial activities from a branch or office within the Greater Vancouver Regional District to receive refunds of Provincial income tax in respect of income earned from their international financial activities. Banks, trust companies, investment dealers, insurers, corporations that are licensed under the *International Financial Business Act* or corporations that may be prescribed by regulation are eligible to apply for registration under the Act. International financial activities are defined to include a wide range of financial activities so long as the activities are carried out only with, for or on behalf of non-residents. The Bill also entitles certain employees of the registered financial institutions to receive refunds of Provincial income tax.

MINISTER OF FINANCE AND
CORPORATE RELATIONS.

BILL 49 - 1987

INTERNATIONAL FINANCIAL BUSINESS (TAX REFUND) ACT

Contents

Section		Section	
1.	Interpretation	13.	Recovery of tax refund
2.	Application for registration	14.	Appeal to the minister
3.	Registration	15.	Suspension or cancellation of registration
4.	International financial office and books of account	16.	Effect of suspension or cancellation
5.	Tax refund	17.	Confidentiality
6.	Dealing at arm's length	18.	Delegation of powers
7.	Affidavits, inquiries, and change of residence	19.	Service of notices
8.	Return of claim	20.	Appeal to court
9.	No set-off	21.	Inspection of records
10.	Amended returns of claim	22.	Offences
11.	Determination of tax refund	23.	Regulations
12.	Payment of tax refund	24.	Commencement

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of British Columbia, enacts as follows:

Interpretation

1. (1) In this Act

"affiliate" means a corporation that is affiliated with another corporation within the meaning of subsection (3) (a);

"claimant" means a person making a claim for payment of a tax refund under section 5;

"commissioner" means the Commissioner of Income Tax appointed under section 61 of the *Income Tax Act*;

"dealing in securities" means acting

(a) as principal in making or offering to make with a non-resident, or

(b) as agent

(i) for a non-resident in making or offering to make with a resident or another non-resident, or

(ii) for a resident in making or offering to make with a non-resident

an agreement for acquiring, disposing of, subscribing for or underwriting securities;

"eligible employee" means an individual

(a) who is designated by a registered financial institution,

(b) who works exclusively for the registered financial institution under a contract of services, performing duties that are pri.narily devoted to its international financial business, and

(c) who meets any other prescribed requirements

but does not include a specialist;

"financial institution" means

(a) a bank, trust company, investment dealer or insurer,

(b) a corporation licensed under the *International Financial Business Act*, or

(c) a corporation that comes within a prescribed class of corporation;

"insurer" means an insurer licensed under the *Insurance Act* or a captive insurance company registered under the *Insurance (Captive Company) Act*;

"international financial activity" means

(a) accepting deposits in any currency from non-residents or from a person carrying on a business that comes within a prescribed class of business,

(b) making loans in any currency to non-residents or to a person carrying on a business that comes within a prescribed class of business,

(c) for or on behalf of non-residents

(i) issuing and accepting international letters of credit, or

(ii) financing or refinancing international letters of credit by means of letters of exchange,

(d) providing fiduciary services,

(e) dealing in securities other than securities of the capital stock of the financial institution dealing in the securities or of the capital stock of an affiliate of the financial institution,

(f) insuring prescribed risks

(i) of, or relating to, non-residents, or

(ii) relating to property situated or events occurring outside Canada,

(g) acting as a financial adviser to non-residents,

(h) dealing in foreign exchange for or on behalf of non-residents, and

(i) managing investments for or on behalf of non-residents.

"international financial business" means a business or part of a business

(a) that is carried on by a financial institution,

(b) all of the activities of which are international financial activities, and

(c) the management of the international financial activities of which is conducted in an international financial office;

"international financial office" means a branch or office, within the Greater Vancouver Regional District, in respect of which a financial institution is registered;

"investment dealer" means a person registered under the *Securities Act* as a dealer or underwriter;

"non-resident" means

(a) an individual who is not resident in Canada,

(b) the government of a foreign state or a political subdivision of it, or an agent of either,

(c) a corporation

(i) that is incorporated, formed or otherwise constituted elsewhere than in Canada,

(ii) the majority of the directors of which, or persons performing the functions of a director by whatever name designated, are non-residents as defined in paragraph (a), and

(iii) that is controlled, directly or indirectly, by

(A) non-residents as defined in paragraph (a), (b), (d) or (e), or

(B) one or more corporations described in subparagraphs (i) to (iii) (A),

(d) a partnership, all of the partners of which are non-residents as defined in paragraph (a), (b), (c) or (e), or

(e) a trust

(i) that is established by a non-resident,

(ii) all of the trustees of which, other than a trustee that is carrying on a business that comes within a prescribed class of business, are non-residents, and

(iii) in which all of the persons beneficially interested are non-residents

as defined in paragraph (a), (b), (c) or (d),

but does not include

(f) a person who is deemed, under section 250 (1) of the *Income Tax Act* (Canada), to have been resident in Canada at the relevant time,

(g) a corporation that is controlled, directly or indirectly, by a resident or an affiliate of a resident, and

(h) a trust in which a resident or an affiliate of a resident is beneficially interested;

"providing fiduciary services" means acting

(a) as trustee of a trust that, at all relevant times, comes within paragraph (e) of the definition of "non-resident",

(b) as an executor or administrator of the estate of a non-resident, all the beneficiaries of which are at all relevant times non-residents,

(c) as guardian of the estate of a minor who is a non-resident, or

(d) as committee of the estate of a mentally incompetent person who is a non-resident;

"registered" means registered under section 3;

"resident" means a person other than a non-resident;

"return of claim" means a return in a prescribed form and containing prescribed information;

"security" means a security as defined in the *Securities Act*;

"specialist" means an individual who

(a) is designated by a registered financial institution,

(b) is a specialist in the field of international financial activities,

(c) immediately before entering into a contract of services with the registered financial institution or before commencing the duties of his employment with the registered financial institution, was a non-resident,

(d) from the time he commences his employment with the registered financial institution works exclusively for it performing duties that are primarily devoted to its international financial business, and

(e) meets any other prescribed requirements;

"subsidiary" means a corporation that, in respect of another corporation, is controlled, directly or indirectly, by the other corporation;

"superintendent" means the Superintendent of Financial Institutions and includes a person to whom the Lieutenant Governor in Council has, under section 18, delegated the superintendent's powers and duties;

"tax" means the tax payable under the *Income Tax Act*;

"trust company" means a trust company registered under the *Trust Company Act*.

(2) The definitions and interpretation provisions in or made by regulation under the *Income Tax Act* apply in this Act except where they vary from the definitions or interpretation provisions in this Act.

(3) For the purposes of this Act,

(a) one corporation is affiliated with another corporation where

(i) one of them is the subsidiary of the other, or both are subsidiaries of the same corporation,

(ii) each of them is controlled by the same person or the same group of persons, or

(iii) one of them is controlled by one person and the other is controlled by one or more partners of that person, other than a limited partner, or by one or more related persons within the meaning of sections 251 (2) to (6) and 252 of the *Income Tax Act* (Canada),

(b) an affiliate of a corporation is affiliated with all other corporations with which the corporation is affiliated,

(c) a corporation is controlled by a person where the votes carried by shares held, other than by way of security only, by or for the benefit of the person, are sufficient, if exercised, to elect a majority of the directors of the corporation,

(d) a person is beneficially interested in a trust if the person has the right to receive any of the income or capital of the trust either directly from the trust or indirectly through one or more other trusts,

(e) a trust shall be deemed to be a person, and

(f) an activity that is carried on for, with or on behalf of a non-resident in respect of a fixed place of business in Canada of the non-resident shall be deemed to have been carried on for, with or on behalf of a resident.

Application for registration

2. (1) A financial institution that

(a) is chartered, incorporated, licensed or registered by or under a law of Canada or a province and is authorized or permitted by or under that law or another law to carry on international financial activities,

(b) carries on or proposes to carry on those international financial activities from a designated branch or office within the Greater Vancouver Regional District, and

(c) meets any other prescribed requirements

may apply to the superintendent for registration of the designated branch or office of the financial institution as an international financial office.

(2) An application for registration must

(a) contain the prescribed information and verifications, and

(b) be accompanied by the prescribed documents and fees.

(3) The superintendent may

(a) request any additional information or documents, or
(b) make any inquiries

he considers necessary for the evaluation of the application.

Registration

3. The superintendent shall, on payment of the prescribed fee, register as an international financial office the designated branch or office of a financial institution that applies under section 2 if, after making inquiries and evaluating the application, he has been satisfied that the applicant meets the requirements of that section.

International financial office and books of account

4. It is a condition of registration that

(a) a financial institution that does not have a branch or office in the Greater Vancouver Regional District on the date of registration will, within 90 days after that date, establish and then maintain throughout the registration period an international financial office there, and

(b) a financial institution will, throughout the registration period, maintain at its international financial office separate books of account in respect of its international financial business as though that business were carried on by a subsidiary of the financial institution, and the books shall be in a form and contain information that will enable the amount of any tax refund required to be paid under this Act to be determined.

Tax refund

5. (1) Subject to sections 6, 7, 8 (3) and 16 and the regulations, the minister shall pay out of the consolidated revenue fund a tax refund in an amount determined in accordance with the regulations

(a) to a registered financial institution in respect of tax paid by it for a taxation year in respect of income for that year attributable to its international financial business,

(b) to a specialist in respect of tax paid by him for a taxation year on income earned by him from employment as a specialist, or

(c) to an eligible employee in respect of tax paid by him for a taxation year on a prescribed proportion of the income earned by him from employment as an eligible employee.

(2) Subsection (1) applies in respect of a taxation year that commences after the day this Act comes into force.

(3) A registered financial institution may not designate more than 5 specialists in respect of a taxation year.

Dealing at arm's length

6. (1) No amount is payable under section 5 to a registered financial institution in respect of an international financial activity carried on by it for,

with or on behalf of a person unless the financial institution deals at arm's length with the person.

(2) For the purposes of subsection (1),

(a) sections 251 and 252 of the *Income Tax Act* (Canada) apply,

(b) where a partner in a partnership and a person do not deal with each other at arm's length, the partnership and the person shall be deemed not to deal with each other at arm's length, and

(c) a partner in a partnership shall be deemed not to deal at arm's length with the partnership or with another partner in the partnership.

Affidavits, inquiries and change of residence

7. (1) No amount is payable under section 5 to a registered financial institution in respect of an international financial activity carried on by it for, with or on behalf of a person unless, before carrying on the activity, the financial institution

(a) receives an affidavit of that person, sworn before a commissioner or other person authorized to take affidavits, setting out that the person is a non-resident, and

(b) makes reasonable inquiries and has no reasonable grounds to believe the person is a resident at that time.

(2) Subsection (1) does not apply in respect of an activity that

(a) comes within paragraph (a) or (b) of the definition of "international financial activity" and is carried on by a registered financial institution with a person referred to in that paragraph, or

(b) comes within paragraph (b) (ii) of the definition of "dealing in securities" and is carried on by a registered financial institution as agent for a resident.

(3) Where a registered financial institution has received an affidavit under subsection (1) (a), has made reasonable inquiries and has no reasonable grounds to believe the person is a resident, the person shall be deemed for the purposes of section 5 to have been a non-resident at the time the financial institution began to carry on the activity for, with or on behalf of that person.

(4) Where a registered financial institution has reasonable grounds to believe that a person, deemed under subsection (3) to have been a non-resident at the time the financial institution began to carry on an activity for, with or on behalf of that person, has in fact ceased to be a non-resident,

(a) the financial institution shall immediately cease to account for any activity it carries on for, with or on behalf of that person as an international financial activity, and

(b) no amount is payable under section 5 to the financial institution in respect of any activity carried on for, with or on behalf of that person after the date on which the financial institution has reasonable grounds for that belief.

Return of claim

8. (1) A claimant shall

(a) in respect of each taxation year, file with the commissioner within 6 months after the end of the taxation year, or at a later time the commissioner may allow, a return of claim, and

(b) on demand from the commissioner, served on the claimant, file with the commissioner within the time specified in the demand a return of claim for the taxation year specified in the demand.

(2) A registered financial institution shall set out in a return of claim in respect of a taxation year the income of the financial institution for that year that is attributable to its international financial business.

(3) Until a return of claim in respect of a taxation year is filed by a claimant under subsection (1) (a) or (b), the minister is not liable to pay any amount to the claimant under section 5 for that year.

No set-off

9. No claimant shall set off any amount payable to the claimant under section 5 against the amount of tax payable by the claimant.

Amended returns of claim

10. Where the tax reported by a claimant in a return of claim filed under section 8 for a taxation year is assessed or reassessed or an additional assessment is made under the *Income Tax Act* so that the tax is different from that reported on the return of claim, the claimant shall, within 90 days after the date of issue of the notice of the assessment, reassessment or additional assessment, file an amended return of claim with the commissioner, and the amended return of claim shall be deemed to have been filed under that section.

Determination of tax refund

11. (1) The commissioner shall, within 60 days after the receipt of a return of claim filed under section 8, examine the return of claim and determine the amount of the tax refund, if any, that is payable.

(2) After examining a return of claim, the commissioner shall promptly serve a notice of refund on the claimant.

(3) The commissioner may redetermine the amount of a refund

(a) at any time, if the claimant has committed an offence under section 22 (1) (a), or

(b) in any other case, within 3 years after the later of

(i) the date of service of a notice of refund on the claimant under subsection (2), and

(ii) the date of mailing to the claimant of a notice of assessment, reassessment, or additional assessment of tax under the *Income Tax Act*.

(4) In determining or redetermining the amount of a tax refund, the commissioner is not bound by a return of claim or information supplied by or on behalf of a claimant.

(5) A claimant shall, on demand from the commissioner, served on the claimant, provide to the commissioner, within the time specified in the demand, any information the commissioner requests to facilitate the determination of the claimant's tax refund.

(6) A determination made by the commissioner under this section shall not be varied or vacated by a court because of an irregularity, informality or omission on the part of a person in the observation of a directory provision up to the date of service of the notice of refund.

Payment of tax refund

12. (1) The minister shall, within 60 days after service of the notice of refund, pay the tax refund to the claimant, whether or not an appeal from the commissioner's determination is outstanding.

(2) Where, by

(a) a determination of the commissioner under section 11,

(b) a decision of the minister under section 14, or

(c) a decision of a court,

it is determined that the tax refund payable in respect of a taxation year is less than the tax refund paid for the year by the minister, the claimant, whether or not an appeal is outstanding, shall on demand pay to the minister the difference between those 2 amounts together with interest on the difference at the rate prescribed under the *Financial Administration Act* or, if the minister so directs, set it off against any debt due by the government to the claimant.

(3) Where the minister is liable to pay a tax refund to the claimant, the minister may apply the difference between the 2 amounts referred to in subsection (2) in respect of the claimant, plus any interest on the difference payable by the claimant, to that liability and shall notify the claimant of that action.

(4) The application of an amount by the minister under subsection (2) or (3) is, to the extent of the amount, a good and sufficient discharge of the original liability of the claimant to the minister.

Recovery of tax refund

13. Where,

(a) on the basis of information supplied by a director, officer, specialist or eligible employee of a registered financial institution, a tax refund has been paid under section 5, and

(b) the information is false or misleading and the director, officer, specialist or eligible employee knew, or ought to have known, that it was false or misleading,

the director, officer, specialist or eligible employee who supplied the information is liable to pay to the Crown the amount of the tax refund.

Appeal to the minister

14. (1) A determination of the commissioner under section 11 may be appealed to the minister.

(2) Written notice of the appeal must be served on the minister within 90 days after the date on the notice of refund.

(3) The appellant shall set out in the notice of appeal a statement of all material facts and the reasons in support of his appeal.

(4) On receipt of all relevant information from the commissioner and the notice of appeal, the minister shall consider the matter and confirm, reverse or

vary the commissioner's determination and shall promptly notify the appellant in writing of the minister's decision.

Suspension or cancellation of registration

15. The minister may suspend or cancel the registration of a financial institution where he is satisfied that the financial institution has, with respect to its international financial business,

(a) supplied false or misleading information or records to the superintendent or commissioner,

(b) failed to supply information or records when they are required under this Act or the regulations,

(c) breached a condition of registration, or

(d) conducted itself in a manner that is contrary to the spirit and intent of this Act, whether or not it has contravened this Act or the regulations.

Effect of suspension or cancellation

16. Where the registration of a financial institution is suspended or cancelled under section 15,

(a) no amount is payable under section 5 (1) (a) to the financial institution in respect of,

(i) where the registration is suspended, tax paid by it in respect of an international financial activity carried on from its international financial office during the period of suspension, or

(ii) where the registration is cancelled, tax paid by it in respect of an international financial activity carried on from its international financial office after notice of cancellation is served on the financial institution, and

(b) no amount is payable under section 5 (1) (b) or (c) to a specialist or an eligible employee of the financial institution in respect of,

(i) where the registration is suspended, tax paid by him for a taxation year or part of a taxation year during which the licence is suspended, or

(ii) where the registration is cancelled, tax paid by him for a taxation year or part of a taxation year after notice of cancellation is served on the financial institution.

Confidentiality

17. A person who has custody or control over information or records under this Act shall not disclose the information or records to any other person except

(a) in the course of administering or enforcing this Act, or

(b) in court proceedings relating to this Act.

Delegation of powers

18. (1) The Lieutenant Governor in Council may, by regulation, delegate any of the superintendent's powers and duties under sections 2, 3, 21 (1) and the regulations.

(2) A delegation under subsection (1) may be to a person designated by name or by position.

Service of notices

19. (1) Where service of a notice or other document on a person is required or authorized under this Act or the regulations, the notice or document shall be conclusively deemed to have been served if served on the person or sent by registered mail to the last known address of the person according to the records of the superintendent.

(2) Where service of a notice or other document on the minister is required or authorized under this Act or the regulations, the notice or document shall be conclusively deemed to have been served if delivered to the office of the deputy minister.

(3) Where service is by registered mail, the notice or document shall be conclusively deemed to be served 14 days after its deposit in a post office as defined by the *Canada Post Corporation Act* (Canada).

Appeal to court

20. (1) A decision of the minister under section 14 may be appealed to the Supreme Court or to a County Court, by way of an originating application.

(2) The Rules of Court relating to originating applications apply, but Rule 49 does not apply.

(3) A petition shall be filed in the court registry within 60 days after the date on the minister's notification of decision.

(4) Within 14 days after the date of filing of the petition under subsection (3), it shall be served on the Crown in accordance with section 8 of the *Crown Proceeding Act*, and the Crown shall be designated "Her Majesty the Queen in right of the Province of British Columbia".

(5) The court may dismiss the appeal, allow the appeal, vary the decision from which the appeal is made or refer the decision back to the minister for reconsideration.

(6) An appeal lies from a decision of the court under this section to the Court of Appeal with leave of a justice of the Court of Appeal.

Inspection of records

21. (1) The commissioner may, for any purposes related to the administration or enforcement of this Act or the regulations, enter during normal business hours any business premises where the records of a registered financial institution are kept and may inspect, audit and examine those records.

(2) A person occupying premises entered under subsection (1) shall, on the request of the commissioner, produce in the manner required by the commissioner any records requested by him.

Offences

22. (1) A person commits an offence if he

(a) makes a statement in any return, information or record required to be submitted, provided or filed under this Act or the regulations or in a book of account or other record required to be maintained under this Act or the regulations that, at the time and in light of the circumstances under which the statement is made,

(i) is false or misleading with respect to a material fact, or

(ii) omits a statement of material fact, the omission of which makes the statement false or misleading, or

(b) contravenes section 17 or 21 (2).

(2) Where a corporation commits an offence under subsection (1) (a), every officer, director, employee or agent of the corporation who directed, authorized, assented to, acquiesced in or participated in the commission of the offence also commits the offence.

(3) No person commits an offence under subsection (1) (a) if he did not know that the statement was false or misleading and, by the exercise of reasonable diligence, could not have known that the statement was false or misleading.

(4) A corporation convicted of an offence under subsection (1) (a) is liable to a fine not exceeding $100 000.

(5) An individual convicted of an offence under subsection (1) (a) or (2) is liable either to a fine not exceeding $100 000 or to imprisonment for not more than 5 years less one day.

(6) A person convicted of an offence under subsection (1) (b) is liable to a fine not exceeding $2 000.

(7) Section 5 of the *Offence Act* does not apply to this Act or to the regulations.

Regulations

23. (1) The Lieutenant Governor in Council may make regulations he considers to be necessary or advisable for the purposes of this Act, including regulations

(a) respecting

(i) the expiry of registrations, and

(ii) requirements for the renewal or reinstatement of registrations and the circumstances in which the superintendent may refuse to grant registration or renewal or reinstatement of registration,

(b) respecting the maintenance by registered financial institutions of books, accounts and other records pertaining to its international financial business,

(c) respecting

(i) the maximum amount of shareholders' equity a registered financial institution may attribute to its international financial business,

(ii) the manner in which business profits of a registered financial institution may be attributed by it to its international financial business,

(iii) deduction of expenses incurred by a registered financial institution in respect of its international financial business, and

(iv) any other matter of accounting,

(d) defining any word or expression used in this Act and not defined in it, and

(e) for any purpose for which regulations are contemplated by this Act.

(2) A regulation made under subsection (1) may

(a) be made applicable to one or more classes of registered financial institutions, applicants or other persons, and

(b) provide for different requirements or fees for different classes of registered financial institutions, applicants or other persons.

(3) A regulation made under subsection (1) may be made retroactive to a prescribed date not earlier than the date this Act comes into force and, where made retroactive, shall be deemed to have come into force on the prescribed date.

Commencement

24. (1) This Act comes into force by regulation of the Lieutenant Governor in Council.

(2) Section 23 (3) is repealed on the first anniversary of the date this Act comes into force.

Government Bill

First Session, Thirty-fourth Parliament
36 Elizabeth II, 1987
Legislative Assembly of British Columbia

BILL 50

INTERNATIONAL FINANCIAL BUSINESS ACT

Honourable Mel Couvelier
Minister of Finance and Corporate Relations

Explanatory Note

This Bill permits corporations that are incorporated or continued under the *Company Act* to apply for a licence if they propose to carry on international financial activities from a branch or office within the Greater Vancouver Regional District. International financial activities are defined to include a wide range of financial activities so long as the activities are carried out only with, for or on behalf of non-residents. Licensed corporations are not permitted to carry on any business other than international financial business. However, they will be exempt from the regulatory schemes of certain Acts that would otherwise apply to them, for example: the *Insurance Act*, *Securities Act* or *Trust Company Act*. Licensed corporations and certain employees of those corporations will also be entitled to receive refunds of Provincial income tax under the *International Financial Business (Tax Refund) Act*.

MINISTER OF FINANCE AND
CORPORATE RELATIONS.

BILL 50 - 1987

INTERNATIONAL FINANCIAL BUSINESS ACT

Contents

Section		Section	
1.	Interpretation	10.	Effect of suspension or revocation
2.	Application of *Company Act*	11.	Auditors and actuaries
3.	Application for a licence	12.	Returns, information and inspections
4.	Grant of licence	13.	Investigation
5.	Permitted activities	14.	Delegation of powers
6.	Effect of licence	15.	Confidentiality
7.	International financial office	16.	Service of notices
8.	Prohibited activities	17.	Offences
9.	Conditions, suspension, refusal and revocation	18.	Regulations
		19 - 22.	Consequential Amendments
		23.	Commencement

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of British Columbia, enacts as follows:

Interpretation

1. (1) In this Act

"actuary" means a fellow of the Canadian Institute of Actuaries;

"affiliate" means a corporation that is affiliated with another corporation within the meaning of subsection (2) (a);

"associate", where used to indicate a relationship with a person, has the same meaning as in the *Company Act;*

"auditor" means

(a) a person who is a member, or a partnership whose partners are members, in good standing of the Institute of Chartered Accountants of British Columbia or The Certified General Accountants Association of British Columbia, or

(b) a person who is certified by the Auditor Certification Board established under section 205 of the *Company Act;*

"commissioner" means the Commissioner of Income Tax appointed under section 61 of the *Income Tax Act;*

"dealing in securities" means acting as a principal or as an agent for a non-resident in making or offering to make with another non-resident an agreement for acquiring, disposing of, subscribing for or underwriting securities;

"eligible employee" has the same meaning as in the *International Financial Business (Tax Refund) Act;*

"financial institution" means

(a) a bank, trust company or insurer, or

(b) a corporation that comes within a prescribed class of corporation;

"insurer" means an insurer licensed under the *Insurance Act*;

"international financial activity" means an activity referred to in section 5 (1);

"international financial business" means a business or part of a business

(a) that is carried on by a licensed corporation,

(b) all the activities of which are international financial activities permitted under the corporation's licence, and

(c) the management of the international financial activities of which is conducted in an international financial office;

"international financial office" means a branch or office, within the Greater Vancouver Regional District, of a licensed corporation;

"licence" means a licence granted under section 4;

"licensed corporation" means a corporation licensed under section 4;

"non-resident" means

(a) an individual who is not resident in Canada,

(b) the government of a foreign state or a political subdivision of it, or an agent of either,

(c) a corporation

(i) that is incorporated, formed or otherwise constituted elsewhere than in Canada,

(ii) the majority of the directors of which, or persons performing the functions of a director by whatever name designated, are non-residents as defined in paragraph (a), and

(iii) that is controlled, directly or indirectly, by

(A) non-residents as defined in paragraph (a), (b), (d) or (e), or

(B) one or more corporations described in subparagraphs (i) to (iii) (A),

(d) a partnership, all of the partners of which are non-residents as defined in paragraphs (a), (b), (c) or (e), or

(e) a trust

(i) that is established by a non-resident,

(ii) all of the trustees of which, other than a trustee that is carrying on a business that comes within a prescribed class of business, are non-residents, and

(iii) in which all of the persons beneficially interested are non-residents

as defined paragraph (a), (b) (c) or (d),

but does not include

(f) a person who is deemed under section 250 (1) of the *Income Tax Act* (Canada) to have been resident in Canada at the relevant time,

(g) a corporation that is controlled, directly or indirectly, by a resident or an affiliate of a resident, and

(h) a trust in which a resident or an affiliate of a resident is beneficially interested;

"parent corporation", where used to indicate a relationship with a licensed corporation or a corporation that applies for a licence, means the financial institution of which the corporation is a wholly owned subsidiary;

"providing fiduciary services" means acting

(a) as trustee of a trust that, at all relevant times, comes within paragraph (e) of the definition of "non-resident",

(b) as an executor or administrator of the estate of a non-resident, all the beneficiaries of which are at all relevant times non-residents,

(c) as guardian of the estate of a minor who is a non-resident, or

(d) as committee of the estate of a mentally incompetent person who is a non-resident;

"resident" means a person other than a non-resident;

"security" means any security, as defined in the *Securities Act*, of or issued by a non-resident;

"specialist" has the same meaning as in the *International Financial Business (Tax Refund) Act*;

"subsidiary" means a corporation that, in respect of another corporation, is controlled, directly or indirectly, by the other corporation;

"superintendent" means the Superintendent of Financial Institutions and includes a person to whom the Lieutenant Governor in Council has, under section 14, delegated the superintendent's powers and duties;

"trust company" means a trust company registered under the *Trust Company Act*;

"wholly owned subsidiary" means a corporation all the issued share capital of which, except directors' qualifying shares, is owned by the financial institution of which it is a subsidiary.

(2) For the purposes of this Act,

(a) one corporation is affiliated with another corporation where

(i) one of them is the subsidiary of the other, or both are subsidiaries of the same corporation,

(ii) each of them is controlled by the same person or the same group of persons, or

(iii) one of them is controlled by one person and the other is controlled by one or more partners of that person, other than a limited partner, or by one or more related persons within the meaning of sections 251 (2) to (6) and 252 of the *Income Tax Act* (Canada),

(b) an affiliate of a corporation is affiliated with all other corporations with which the corporation is affiliated,

(c) a corporation is controlled by a person where the votes carried by shares held, other than by way of security only, by or for the benefit of the person are sufficient, if exercised, to elect a majority of the directors of the corporation,

(d) a person is beneficially interested in a trust if the person has a right to receive any of the income or capital of the trust either directly from the trust or indirectly through one or more other trusts,

(e) a trust shall be deemed to be a person, and

(f) an activity carried on for, with or on behalf of a non-resident in respect of a fixed place of business in Canada of the non-resident shall be deemed to have been carried on for, with or on behalf of a resident.

Application of Company Act

2. Sections 37 and 133 (1) of the *Company Act* do not apply to a licensed corporation.

Application for a licence

3. (1) A corporation may apply to the superintendent for a licence to carry on an international financial business where

(a) it is incorporated under the *Company Act* or it is incorporated under similar legislation of Canada or another province of Canada and is continued under section 36 of the *Company Act*,

(b) it is a wholly owned subsidiary of a financial institution,

(c) it has not previously carried on business,

(d) it proposes to carry on an international financial activity from a branch or office within the Greater Vancouver Regional District, and

(e) it meets any other prescribed requirements.

(2) An application for a licence must

(a) contain the prescribed information and verifications, and

(b) be accompanied by the prescribed documents and fees.

(3) The superintendent may

(a) request any additional information or documents, or

(b) make any inquiries

he considers necessary for the evaluation of the application.

Grant of licence

4. Subject to any regulations made under section 18 (1) (a) (ii), the superintendent shall, on payment of the prescribed fee, grant a licence to a corporation that applies under section 3 if, after making inquiries and evaluating the application, he has been satisfied

(a) as to the character and competence of the directors of the corporation,

(b) that the corporation will conduct its business in a manner that is not contrary to the public interest,

(c) that the parent corporation has given to the government an undertaking that it will maintain the solvency of the corporation, and

(d) where the parent corporation is incorporated, formed or otherwise constituted elsewhere than in Canada, that the parent corporation is adequately supervised by a recognized supervisory authority of the country, state or place in which it is incorporated, formed or otherwise constituted.

Permitted activities

5. (1) The superintendent may restrict the activities that a corporation may carry on under its licence to one or more of the following activities:

(a) accepting deposits in any currency from non-residents or from a person carrying on a business that comes within a prescribed class of business;

(b) making loans in any currency to non-residents or to a person carrying on a business that comes within a prescribed class of business;

(c) for or on behalf of non-residents,

(i) issuing and accepting international letters of credit, or

(ii) financing or refinancing international letters of credit by means of letters of exchange;

(d) providing fiduciary services;
(e) dealing in securities, other than securities of the capital stock of the financial institution dealing in the securities or of the capital stock of an affiliate of the financial institution;
(f) insuring prescribed risks
(i) of, or relating to, non-residents, or
(ii) relating to property situated or events occurring outside Canada;
(g) acting as a financial adviser to non-residents;
(h) dealing in foreign exchange;
(i) managing investments for or on behalf of non-residents;
(j) any activity that the Lieutenant Governor in Council may, by regulation, designate as an international financial activity.

(2) The superintendent shall specify in a licence the international financial activities the corporation is permitted to carry on under its licence.

Effect of licence

6. (1) Subject to section 13 (2), the *Insurance Act*, the *Securities Act* and the *Trust Company Act* do not apply to a licensed corporation in respect of the international financial activities specified in its licence.

(2) The Lieutenant Governor in Council may, by regulation, declare that
(a) an Act not referred to in subsection (1), or
(b) a provision of, or a regulation made under, an Act not referred to in subsection (1)
does not apply to a licensed corporation that comes within a prescribed class of licensed corporation in respect of the international financial activities specified in its licence.

International financial office

7. A corporation that is granted a licence shall, within 90 days after the licence is granted, establish and then maintain throughout the licence period an international financial office.

Prohibited activities

8. (1) A licensed corporation shall not
(a) carry on an international financial activity, other than one that is described in section 5 (1) (a) or (b) and is carried on with a person referred to in that section, unless it has made reasonable inquiries and has no reasonable grounds to believe that the person for or with whom or on whose behalf the activity is to be carried on is a resident, or
(b) carry on any business other than international financial business.

(2) No act of a licensed corporation is invalid by reason only that the act contravenes subsection (1).

Conditions, suspension, refusal and revocation

9. (1) The superintendent may, after giving a licensed corporation an opportunity to be heard, report to the minister as to whether
(a) the corporation has contravened section 7 or 8 (1) or a restriction or condition of its licence,

(b) the corporation has

(i) supplied false or misleading returns, information or records to the superintendent under this Act or to the commissioner under the *International Financial Business (Tax Refund) Act*, or

(ii) failed to supply returns, information or records when they are required under this Act, the *International Financial Business (Tax Refund) Act* or the regulations under either Act,

(c) the corporation is carrying on its business in a manner likely to be detrimental to the interests of its customers, creditors or the public,

(d) it is contrary to the public interest for the corporation to continue to be licensed,

(e) the parent corporation has breached an undertaking given under section 4 (c), or

(f) the corporation has made, or proposes to make, a compromise or arrangement with its creditors or has gone or proposes to go into liquidation or has been wound up or otherwise dissolved.

(2) On receiving the report of the superintendent the minister may, after or without a hearing, impose conditions on a corporation's licence, suspend or revoke its licence or order the superintendent to refuse to renew its licence.

(3) Where the minister has reasonable grounds to believe that any of the circumstances set out in subsection (1) exist and he considers the length of time that would be required to give a corporation an opportunity to be heard would be prejudicial to the public interest, he may impose conditions on or suspend the licence of the corporation without giving it an opportunity to be heard, but he shall immediately serve on the corporation a notice of his decision and the reasons for it.

(4) Where the minister makes a decision under subsection (3), the superintendent shall, after giving the corporation an opportunity to be heard, make a report to the minister under subsection (1) within 49 days after the date of the minister's decision.

(5) The minister may,

(a) after or without a hearing, and

(b) without conditions or on the conditions he considers appropriate,

reinstate a licence or cancel a condition, suspension or refusal to renew a licence.

(6) The minister and the superintendent have for the purposes of a hearing under this section the protection, powers and privileges of sections 12, 15 and 16 of the *Inquiry Act* given to a commissioner appointed under Part 2 of that Act.

(7) Notice of the imposition of a condition on or of a suspension of a licence under subsection (2) or (3), or of the revocation or refusal to renew a licence under subsection (2) or of a reinstatement or cancellation under subsection (5) shall be

(a) given to the corporation by the superintendent,

(b) published by the superintendent in the Gazette at the cost of the corporation, and

(c) published by the corporation as required by the regulations.

Effect of suspension or revocation

10. (1) Where the licence of a corporation is suspended under section 9 (2) or (3),

(a) it shall not, during the period of suspension, undertake any new business but shall confine its activities solely to the business in hand on the date notice of suspension was served on it, and

(b) its registration under section 3 of the *International Financial Business (Tax Refund) Act* shall, for the purposes of section 5 of that Act, be deemed to be suspended.

(2) Where the licence of a corporation is revoked under section 9 (2),

(a) it shall, on the date notice of revocation is served on it, cease to carry on business except for the purpose of winding up its affairs and complying with this Act and any other applicable law, and

(b) its registration under section 3 of the *International Financial Business (Tax Refund) Act* shall, for the purposes of section 5 of that Act, be deemed to be cancelled.

(3) The suspension or revocation of a licence does not prejudice the enforcement by a person of a right or claim against the corporation or by the corporation of a right or claim against a person.

Auditors and actuaries

11. (1) A licensed corporation shall

(a) appoint annually an auditor approved by the superintendent, and

(b) where it carries on an activity referred to in section 5 (1) (f), appoint annually

(i) an actuary, or

(ii) another person

approved by the superintendent.

(2) Where a licensed corporation fails to comply with subsection (1) or the superintendent considers it desirable that another auditor, actuary or person should act with the auditor, actuary or person appointed under that subsection, the superintendent may appoint an auditor, actuary or other person, as the case may be.

(3) The Lieutenant Governor in Council may fix the remuneration and expenses a licensed corporation shall pay to an auditor, actuary or other person appointed by the superintendent under subsection (2), whether or not the appointment has terminated.

Returns, information and inspections

12. (1) A licensed corporation shall

(a) submit to the superintendent a return in a form and at the intervals he may specify showing the assets and liabilities of the corporation and any prescribed information,

(b) submit to the superintendent within the time he specifies and in the manner he requires any further information he considers necessary for a proper understanding of its international financial business,

(c) where it carries on an activity referred to in section 5 (1) (f), submit an actuarial statement prepared by

(i) an actuary, or

(ii) another person

approved by the superintendent,

(d) where the superintendent requires a return submitted under paragraph (a) or information submitted under paragraph (b) or (c) to be accompanied by a certificate of an auditor, actuary or other person, submit a certificate of an auditor, actuary or other person appointed under section 11 (1) or of the auditors, actuaries or other persons appointed under section 11 (1) and (2), as the case may be, as to whether or not, in the opinion of the person certifying, the return or information is correctly compiled from the books and records of the corporation,

(e) where the superintendent wishes at any time to inspect the books, accounts and transactions of the corporation,

(i) afford the person carrying out the inspection access to the books and accounts, to documents of title to the assets and other documents, to all securities held by the corporation and to its cash,

(ii) afford the person carrying out the inspection access to all facilities and information that may be required to conduct the inspection, and

(iii) produce to the person carrying out the inspection the books, accounts, documents, securities, cash or other information he may require, and

(f) on the written demand of the superintendent, satisfy him by the production of the documents or information he requires, that the corporation is not contravening section 8 (1).

(2) An affiliate, associate or parent corporation of a licensed corporation shall, on written demand of the minister, provide to him within the period and in the manner specified in the demand, any information he considers necessary for the proper understanding of the activities of the licensed corporation or for determining its solvency.

Investigation

13. (1) The superintendent may, by order, appoint a person to make whatever investigation the superintendent considers appropriate for the administration of this Act and in the order shall determine the scope of the investigation.

(2) Sections 127 (2) to (5) and 128 to 130 of the *Securities Act* apply to an investigation and to a person appointed under subsection (1) except that a reference to the commission shall be deemed to be a reference to the superintendent.

Delegation of powers

14. (1) The Lieutenant Governor in Council may, by regulation, delegate any of the superintendent's powers and duties under sections 3, 4, 5 (1) and (2), 9 (1), 11 (1) and (2), 13 (1) and 15 (2) and (3) and the regulations.

(2) A delegation under subsection (1) may be to a person designated by name or by position.

Confidentiality

15. (1) A person who has custody or control over information or records under this Act shall not disclose the information or records to any other person except

(a) in the course of administering or enforcing this Act,

(b) in court proceedings relating to this Act, or

(c) as provided in subsections (2) and (3).

(2) The superintendent shall, on the request of the commissioner, disclose to him any information or records relating to a licensed corporation if, in the opinion of the commissioner, the information or records are required for the purposes of the *International Financial Business (Tax Refund) Act*.

(3) Where the parent corporation of a licensed corporation is incorporated, formed or otherwise constituted elsewhere than in Canada, the superintendent may, if he considers it in the interest of the customers of the licensed corporation, disclose to a recognized supervisory authority of the country, state or place in which the parent corporation is incorporated, formed or otherwise constituted, information relating to the company.

Service of notices

16. Where service of a notice or other document on a corporation is required or authorized under this Act or the regulations, the notice or document shall be conclusively deemed to have been served if served in accordance with section 228 (1) of the *Company Act*.

Offences

17. (1) A person commits an offence if he

(a) makes a statement in any return, information or record required to be submitted, provided or filed under this Act or the regulations or in a book of account or other record required to be maintained under this Act or the regulations that, at the time and in light of the circumstances under which the statement is made,

(i) is false or misleading with respect to a material fact, or

(ii) omits a statement of material fact, the omission of which makes the statement false or misleading,

(b) contravenes section 8 (1), 11 (1) or 12 (1),

(c) fails to comply with a demand of the minister under section 12 (2), or

(d) contravenes section 15 (1).

(2) Where a corporation commits an offence under subsection (1), every officer, director, employee or agent of the corporation who directed, authorized, assented to, acquiesced in or participated in the commission of the offence also commits the offence.

(3) No person commits an offence under subsection (1) (a) if he did not know that the statement was false or misleading and, by the exercise of reasonable diligence, could not have known that the statement was false or misleading.

(4) A corporation convicted of an offence under subsection (1) (a), (b) or (c) is liable to a fine not exceeding $100 000.

(5) An individual convicted of an offence under subsection (1) (a), (b), (c) or (2) is liable either to a fine not exceeding $100 000 or to imprisonment for not more than 5 years less one day.

(6) A person convicted of an offence under subsection (1) (d) is liable to a fine not exceeding $2 000.

(7) Section 5 of the *Offence Act* does not apply to this Act or to the regulations.

Regulations

18. (1) The Lieutenant Governor in Council may make regulations he considers to be necessary or advisable for the purposes of this Act, including regulations

(a) respecting

(i) the expiry of licences, and

(ii) requirements for the renewal or reinstatement of licences and the circumstances in which the superintendent may refuse to grant or renew a licence,

(b) respecting the qualifications of directors of licensed corporations,

(c) respecting the content and form of an undertaking required under section 4 (c),

(d) respecting the maintenance by licensed corporations of books, accounts and other records,

(e) prescribing application fees and annual licence fees to be paid by applicants or licensees,

(f) defining any word or expression used in this Act, whether or not the word or expression is defined in this Act,

(g) prohibiting or regulating advertising by licensed corporations, and

(h) for any purpose for which regulations are contemplated by this Act.

(2) A regulation made under subsection (1) may

(a) be made applicable to one or more classes of licensed corporations, financial institutions, applicants or other persons, and

(b) provide for different requirements, standards, limitations, restrictions and fees for different classes of licensed corporations, financial institutions, applicants or other persons.

(3) A regulation made under subsection (1) may be made retroactive to a prescribed date not earlier than the date this Act comes into force and, where made retroactive, shall be deemed to have come into force on the prescribed date.

Consequential Amendments

Company Act

19. Section 16 of the *Company Act*, R.S.B.C. 1979, c. 59, is amended by adding the following subsection:

(7) A company licensed under the *International Financial Business Act* shall have the words "International Financial Business" or the abbreviation "I.F.B." as part of its name.

20. Section 18 is amended

(a) by adding the following subsection:

(1.3) Where the Superintendent of Financial Institutions informs the registrar that a company has been refused a licence under the *International Financial Business Act* or that the licence of a company has been revoked under section 9 of that Act, the registrar may in writing, giving his reasons, order the company to change its name to one that does not include the words or abbreviation referred to in section 16 (9). , and

(b) in subsection (2) by striking out "or (1.2)" and substituting ", (1.2) or (1.3)".

21. Section 21 is amended by adding the following subsection:

(3) The limitation in subsection (2) (d) on the capacity of a company does not apply to a company that is licensed under section 4 of the *International Financial Business Act* and is permitted under its licence to carry on any business referred to in that subsection.

22. Section 131 (1) is amended by striking out " 'corporation' or" and substituting " 'corporation', 'international financial business' or".

Commencement

23. (1) This Act comes into force by regulation of the Lieutenant Governor in Council.

(2) Section 18 (3) is repealed on the first anniversary of the date this Act comes into force.

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